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**1992/02/28**

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ACTION: EAP (05)

INFO: EAP (84) P (01) RA (01) EP (02)  
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ACTION EAP-80

INFO LOC-88 ACDA-15 AID-88 AMCD-81 CEA-01 CIAE-00 CIP-88  
CTHE-89 C-81 DDOE-88 DCEE-89 EB-88 EXIM-86 E-81  
FRB-83 H-81 IAME-89 IAR-81 ITC-81 JUSE-88 LAB-84  
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TRSE-88 TST-82 T-81 USIE-88 /888V  
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P 280336Z FEB 92 ZDK  
FM AMEMBASSY BEIJING  
TO SECSTATE WASHDC PRIORITY 8684  
INFO AMCONSUL SHENYANG  
AMCONSUL GUANGZHOU  
AMCONSUL SHANGHAI  
AMCONSUL HONG KONG  
USDOC WASBDC  
AMCONSUL CHENGDU

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DEPARTMENT PASS USTR FOR PHILLIPS/MUSARRA

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E.O. 12356; DECL: GADR  
TAGS: ETRO, TSPA, ETTC, CB

SUBJECT: AEROSPACE OFFICIALS COMMENT ON SANCTIONS,  
SATELLITE LAUNCH PRICING

REF: (01) STATE 378855

1. SUMMARY. CHINESE AEROSPACE OFFICIALS ARE  
INTERESTED IN CONTINUING DISCUSSIONS ON PRICING ISSUES  
FOR SATELLITE LAUNCHES AND REMAIN CONVINCED THAT THEY  
ARE LIVING UP TO THEIR END OF THE AGREEMENT ON TRADE  
IN LAUNCH SERVICES. IN A MEETING FEBRUARY 26, THEY  
ALSO ASKED ABOUT U.S. WILLINGNESS TO EXTEND THE  
TIMEFRAME FOR LAUNCHES UNDER THE AGREEMENT BEYOND 1994  
AND INVITED THE U.S. DELEGATION TO BEIJING FOR ANOTHER  
ROUND OF CONSULTATIONS. END SUMMARY.

2. VISITING CHINA DESK OFFICER ROBERT WINSHIP AND  
ECOFF MET FEBRUARY 26 WITH CHINESE AEROSPACE  
OFFICIALS TO DISCUSS SATELLITE LAUNCH ISSUES. THE  
CHINESE SIDE INCLUDED FENG YUNXIANG, VICE DIRECTOR OF  
THE MINISTRY OF AEROSPACE INDUSTRY'S GENERAL OFFICE;  
CHEN ZHONGQING, DEPUTY DIRECTOR GENERAL OF THAT  
MINISTRY'S DEPARTMENT OF INTERNATIONAL COOPERATION;  
AND ZHOU PIKG, SENIOR COLONEL IN THE FOREIGN AFFAIRS  
DEPARTMENT OF THE COMMISSION OF SCIENCE, TECHNOLOGY,  
AND INDUSTRY FOR NATIONAL DEFENSE.  
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SATELLITE AGREEMENT AND PRICING ISSUES

3. FENG RECALLED THAT AT THE CONSULTATIONS IN

WASHINGTON LAST OCTOBER THE CHINESE HAD STATED THAT  
THEY WERE ACTING ACCORDING TO THE REQUIREMENTS OF THE  
1989 AGREEMENT. ON THE CONTRARY, HE SAID, THE CHINESE

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VIEW REMAINED THAT THE U.S. HAD VIOLATED THE AGREEMENT  
BY IMPOSING SANCTIONS ON SATELLITE SALES WITHOUT  
CONSULTATION.

1. ON SATELLITE LAUNCH PRICES, FENG STATED THAT THERE  
WAS NO INTERNATIONAL STANDARD, CITING THE DIFFERENT  
PRICES CHARGED BY THE U.S. AND BY FRANCE AS AN  
EXAMPLE. CHINA'S PRICES REFLECTED ITS LOW COSTS. HE  
ARGUED, AND THEREFORE CHINA WAS ACTING STRICTLY  
ACCORDING TO THE AGREEMENT. HE CLAIMED THE U.S. HAD  
NOT CONSIDERED WHETHER CHINA'S COSTS WERE REASONABLE.  
HE URGED JOINT DISCUSSIONS AMONG THE U.S., FRENCH, AND  
CHINESE LAUNCH COMPANIES.

AN APPEAL TO PERMIT LAUNCHES AFTER 1994

5. COLONEL ZHOU COMMENTED THAT CHINA HAD RECEIVED  
APPROVAL TO LAUNCH ONLY THREE U.S. SATELLITES BEFORE  
SANCTIONS TOOK EFFECT. AFTER A DESULTORY EXCHANGE ON  
THE EFFECTIVE DATE OF SANCTIONS (JUNE 1989), THE  
CHINESE ARGUED, RATHER THAN JUNE 1991, AND WHETHER  
SANCTIONS HAD PREVENTED ANY LAUNCHES. ZHOU NOTED THAT  
THE AGREEMENT ALLOWED CHINA TO LAUNCH AN ADDITIONAL  
SIX SATELLITES BY 1994. CONCERNED THAT BECAUSE OF THE  
SANCTIONS NOT ALL THE PERMITTED LAUNCHES COULD TAKE  
PLACE BY THAT TIME, HE WAS INTERESTED IN KNOWING

WHETHER THE U.S. WOULD BE WILLING TO ALLOW LAUNCHES  
UNDER THE AGREEMENT IN 1995 OR 1996. HE SAID TALKS  
BETWEEN THE TWO SIDES NEEDED TO ADDRESS THIS ISSUE.

AN INVITATION FOR THE NEXT ROUND OF CONSULTATIONS

6. CHEN ZHONGQING NOTED THAT THE CHINESE GOVERNMENT  
IS VERY SERIOUS IN ITS OFFER TO ADOPT THE MCTR  
GUIDELINES IN EXCHANGE FOR THE LIFTING OF SANCTIONS.  
HE BELIEVED THAT COOPERATION ON SPACE LAUNCHES IS GOOD  
FOR BOTH SIDES. HE EXPRESSED A WILLINGNESS TO FIND  
WAYS TO RESOLVE THE PRICING ISSUES. HE CLOSED BY  
NOTING THAT SUN JIAODONG, PRESIDENT OF THE MINISTRY OF  
AEROSPACE'S SCIENCE AND TECHNOLOGY COMMITTEE, HAD  
ASKED HIM TO CONVEY THE MESSAGE THAT CHINA WOULD LIKE  
TO INVITE A U.S. DELEGATION TO BEIJING FOR THE NEXT  
ROUND OF CONSULTATIONS.

7. COMMENT. THE CHINESE AEROSPACE OFFICIALS ARE

CLEARLY BELIEVED THAT THE SANCTIONS ARE BEING LIFTED.  
WHILE UNWILLING TO BUDGE IN THEIR VIEWS ON PRICING,  
THEY AT LEAST TALK AS IF THEY WANT TO EXPLORE WAYS TO  
RESOLVE THE ISSUE. END COMMENT. ROY

United States Department of State  
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